

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 INR-05 CIAE-00
PM-03 DODE-00 OMB-01 TRSE-00 L-01 SP-02 PRS-01 /036 W
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P R 201600Z JAN 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 9698
INFO AMEMBASSY TANANARIVE
AMEMBASSY LONDON
AMEMBASSY BOGOTA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 0554

LIMDIS

E.O. 11652: N/A
TAGS: ETRD EAGR BR
SUBJECT: COFFEE: POSSIBLE BRAZILIAN PURCHASE OF MALAGASY COFFEE

REF: (A) RIO DE JANEIRO 222 (B) STATE 10493

1. SUMMARY: A FOREIGNMINISTRY OFFICIAL HAS LEFT US WITH THE CLAER IMPRESSION THAT THERE IS A GOOD CHANCE OF ANOTHER MALAGASY PURCHASE. IN THE EMBASSY'S JUDGEMENT, THE GOB WILL NOT BE DETERRED FROM NEGOTIATING THIS PURCHASE BY EXHORTATION; ONLY A FIRM WARNING OF SPECIFIC ADVERSE CONSEQUENCES WOULD BE EFFECTIVE. END SUMMARY.

2. IN A JANUARY 19 DISCUSSION ON COFFEE WITH A KNOWLEDGEABLE FOREIGN MIISTRY OFFICIAL, EMBOFF ASKED WHETHER THE OFFICIAL COULD CONFIRM THE JAN 13 JORNAL DO BRAZIL REPORT THAT INTERBRAS IS NEGOTIATING FOR THE PURCHASE OF MORE MALAGASY COFFEE (REF A). THE OFFICIAL HEMMED AND HAWED; HE OBSERVED THAT THE INTERBRAS-MALAGASY AGREE-CONFIDENTIAL

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MENT CONCLUDED IN 1976 HAD PROVIDED FOR POSSIBLE FUTURE PURCHASES "IF BRAZIL NEEDED THEM." HE HAD NO "OFFICIAL" INFORMATION ON INTERBRAS'S SPECIFIC PLANS AT THIS TIME. THE OFFICIAL CONSLUDED BY SAYING THAT ANOTHER MALAGASY PURCHASE "ALWAYS IS A POSSIBILITY."

3. COMMENT. IN WHAT HE SAID AND THE WAY HE SAID IT,

THE OFFICIAL LEFT EMBOFF WITH THE CLEAR IMPRESSION THAT THERE IS A GOOD CHANCE OF ANOTHER MALAGASY PURCHASE. IN RECENT WEEKS, BRAZILIAN COFFEE OFFICIALS HAVE STRESSED HOW MUCH BRAZIL EXPORTED IN 1976 (16 MILLION BAGS, OR 2 MILLION OVER PLANNED EXPORTS), AND HOW BRAZIL'S STOCKS HAVE FALLEN TO LOW LEVELS. IT IS HIGHLY LIKELY THESE OFFICIALS PERCIEVE A "NEED" TO BUY MORE ROBUSTA TO THE EXTENT IT CAN SUBSTITUTE FOR BRAZIL'S ARABICAS IN THE PRODUCTION OF SOUBLE COFFEE IN BRAZIL. THIS LOGIC OF COURSE LEAVES ASIDE ANY ADDITIONAL MOTIVES THESE OFFICIALS MAY HAVE -- PRINCIPALLY, MANIPULATION OF WORLD COFFEE PRICES.

4. IN REF (B) DEPARTMENT CHARACTERIZED AS "IRRESPONSIBLE" THE ANNOUNCEMENT THAT GOB IS NEGOTIATING MALAGASY REPUBLIC PURCHASE. DEPT ALSO STATED IT DID NOT INTEND TO GIVE GOB A CLEAN BILL OF HEALTH FOR ITS MARKETING STRATEGY AT UPCOMING LONDON ICO MEETING, PRESUMBLY IN LARGE MEASURE BECAUSE OF THIS ANNOUNCEMENT. IN EMBASSY'S OPINION, IF US DESIRES TO DETER GOB FROM MAKINGTHIS PURCHASE (OR FUTURE SIMILAR PURCHASES) IT WILL HAVE TO WARN OF SOME CONCRETE ADVERSE CONSEQUENCES. BECASUE THE BASIC PURPOSE BEHIND CURRENT BRAZILIAN COFFEE POLICY IS TO MAXIMIZE IMMEDIATE FOREIGN EXCHANGE EARNINGS SO AS TO ALLEVIATE THE SERIOUS BALANCE OF PAYMENTS SITUATION, MERE EXHORTATIONS WILL NOT BE EFFECTIVE, AS THEY HAVE NOT BEEN IN THE PAST.
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Message Attributes

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Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
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Disposition Approved on Date:
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